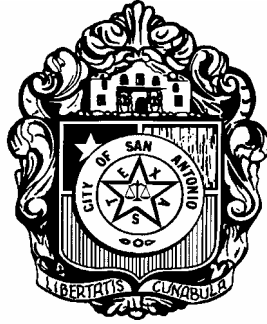


City of San Antonio



Mayor and City Council

Edward Garza
Mayor

Roger O. Flores	Joel Williams
Ron Segovia	Richard Perez
Patti Radle	Enrique Barrera
Julian Castro	Art Hall
Carroll W. Schubert	Christopher "Chip" Haass

J. Rolando Bono
Interim City Manager

City of San Antonio

Table of Contents

Executive Summary	i-ii
--------------------------	------

Section I – Initiatives

1. Clean Air Funding	3-4
2. Defense Adjustment Management Authority (DAMA)	5-6
3. Dissolution of Campaign Treasurer Appointment	7-8
4. Edwards Aquifer Authority	9-10
5. Major Sports Promotion Funding	11-12
6. Motor Vehicle Accident Reports	13
7. Municipally-Owned Utility Protections & Public Utility Commission Sunset/Reauthorization	14-15
8. Water Resources	16-17

Section II – Endorsements

1. Children’s Health Insurance Program	18-19
2. Cost of Relocating Utility Facilities	20
3. Electronic Campaign Finance Filing	21
4. Freeport Exemption	22
5. Open Records Exception for City Manager Applicants	23

6.	Public Utilities Commission Jurisdiction	24
7.	Reappointment of Fire and Police Civil Service Commissioners	25
8.	Sales Price Disclosure of Real Property	26
9.	Substandard or Dangerous Properties	27
10.	Texas A&M - Tuition Revenue Bonds	28-29
11.	Transportation Infrastructure Funding	30-31
12.	U.T. San Antonio – Tuition Revenue Bonds	32-33
13.	U.T. Health Science Center – San Antonio Funding Requests	34-35
	Omnibus Legislative Policy	36

Section III –Preservation of Municipal Interests

1.	Appraisal Caps	37
2.	Annexation Reform	38
3.	Municipal Court Collection of State Fees	39
4.	Streamlined Sales Tax Agreement	40
5.	Unfunded State Mandates	41

Executive Summary

Prior to the convening of each regular state Legislative Session, the City of San Antonio identifies policy priorities that it would like to have addressed by the Texas Legislature. In July 2004, the City's Governmental Affairs Team began working with the City Council Intergovernmental Relations Committee, City Departments and agencies, Texas Municipal League and the community to identify issues for the upcoming session. The initial draft of the program was reviewed by the City's Management Team on October 19, 2004, the City Council Intergovernmental Relations Committee on October 25, 2004, and, was adopted by the full Council on November 4, 2004.

The 79th Legislature is expected to consider a variety of issues that could pose significant threats to municipal authority or unduly impose new administrative or financial burdens on city government. Consequently, much of the focus of the City's legislative effort this session will be given to the defense or protection of the City's interests. Specifically, the governmental affairs team will dedicate considerable time defending against adverse changes relating to: 1) unfairly capping appraisals; 2) weakening municipal annexation authority; 3) restricting the development of functional water markets to meet growing population and economic demands or limiting municipal control over water quality; 4) imposing unfunded state mandates; 5) restricting the use of local economic development incentives; and 6) protecting against the possible negative impacts of a streamlined sales tax agreement.

Once again, the Texas Legislature will need to address an anticipated budget shortfall due to a mild economic recovery resulting in declining projections in sales tax collections, which makes up the majority of state budget revenues. The Legislature will also face the daunting task of revamping the public school finance system in the wake of a recent trial court decision that found the state's current system unconstitutional. Other key issues that lawmakers are expected to address include: sunset review of the Public Utilities Commission, transportation infrastructure funding, election and ethics reforms, funding state Medicaid and the Children's Health Insurance Program, affordable housing, environmental permitting, air quality appropriations, limitations on special districts, and prison and parole reforms. The 79th Session is expected to be a delicate balancing act between the state's policy priorities and the availability of revenue to fund them.

As first utilized in the 77th Legislative Session, the City's legislative program is organized into two distinct issue categories. The first category is Legislative Initiatives. A legislative initiative will be actively supported through the drafting of legislation, finding a bill sponsor, providing testimony, and otherwise actively pursuing its passage. A legislative initiative must meet one of the following three criteria: (1) it must be San Antonio-specific, (2) it must address an issue where San Antonio is disproportionately affected, or (3) it must be universal in effect, but to ensure success, San Antonio must take primary responsibility. The second category is Legislative Endorsements. With an endorsement, the City will not play a primary advocacy role, but will work collectively with other interested parties and communicate its support of issues in this category.

Throughout the legislative session, the City Council Intergovernmental Relations Committee will meet regularly to review the City's priorities and to receive updates from the governmental affairs team on pending legislation. The committee is chaired by Councilman Julian Castro and includes Council members Carroll Schubert, Enrique Barrera, Joel Williams and Christopher "Chip" Haass. As additional legislative issues of interest to the City arise during the session, the committee will review such legislation and submit recommendations to the full Council for its consideration. The work of the Governmental Affairs Team is coordinated through the External Relations Department and includes the City Manager's Office, representatives from all City departments and the governmental affairs firms of Christopher S. Shields, P.C., Tristan "Tris" Castaneda of Baker Botts, L.L.P., Marc A. Rodriguez, and Susan Rocha of Denton, Navarro, Rocha & Bernal.

Section I – Legislative Initiatives

Clean Air Funding

Proposal:

To support continued state financial assistance for near non-attainment communities in an effort to assist in meeting National Ambient Air Quality Standards for ozone.

Background:

The federal Clean Air Act authorizes the U.S. Environmental Protection Agency (EPA) to establish maximum allowable concentrations of pollutants because of their harmful effects on public health, the environment and personal property. Areas that exceed EPA standards may be designated as “nonattainment,” unless they take steps to meet federal standards by 2007. All non-complying states face severe sanctions.

Currently, Texas has four nonattainment areas, including several deemed near nonattainment. There are a total of 62 counties that have elevated ozone levels. These areas represent 70 percent of the state's population, 76 percent of aggregate employment, 82 percent of personal income, and 83 percent of gross state product. Because of Texas' integrated economy, all regions of the state have a stake in bringing each of these areas into compliance.

Three near nonattainment areas, including metro San Antonio, have entered into Early Action Compacts with the state and the EPA. Under these compacts, local areas are required to perform sophisticated modeling, emissions inventorying, and implementation of control strategies. Last session, the City worked with other communities to secure \$4.1 million in state funding for air quality planning activities in near nonattainment areas. Eligible activities included the identifying, inventorying, and monitoring of current pollution levels, modeling future pollution levels, and the identification and quantification of potential pollution reduction through voluntary controls. Working with other near non-attainment areas, the City was successful in increasing the funding for near nonattainment communities from the original appropriation of \$2.6 million during the 1999 session.

The City of San Antonio supports a combination of technology improvements and a statewide public education program to influence behavioral patterns. Cleaner burning fuels and engines, and a vehicle retirement program should be considered. Local governments, particularly those who have entered into Early Action Compacts and/or have not yet been designated non-attainment, need additional tools at their disposal.

Financial Impact:

The financial impact related to ozone noncompliance is very difficult to determine. At a minimum, poor air quality affects a person's ability to breathe. The young, elderly, and those with respiratory problems are considered most at-risk to harmful ground-level ozone. Economically, federal transportation funds are restricted in non-attainment areas through the conformity requirements of the Federal Highway Administration. Businesses are also affected by federal controls. During the 79th Legislative Session, the City will seek funding equal to or greater than the \$4.1 million appropriated in the previous session.

Defense Adjustment Management Authority (DAMA)

Proposal:

To amend the Texas Local Government Code to clarify provisions in the DAMA statute relating to land use controls, board of director terms, expanding territorial boundaries, and development of a comprehensive masterplan.

Background:

Chapter 375 of the Texas Local Government Code allows municipalities to create Defense Adjustment Management Authorities (DAMA) in their communities. To be eligible, an area must be: (1) within the same county as a defense base closed under the Defense Base Closure and Realignment Act or that is a defense base efficiency project, (2) within the extraterritorial jurisdiction of a municipality with a population of at least 1.1 million, and (3) included in a municipal annexation plan or be annexed for limited purposes by the municipality. Authorities may be established by majority vote of the municipality only after a public notice and hearing process and the municipality is charged with establishing the boundaries of the authority.

A DAMA is governed by a board of directors numbering between 5 and 15 members. A sponsoring city, the county and each school district whose boundaries overlap the boundaries of the authority are entitled to one permanent member on the board. The majority of the directors must either reside in the authority's area, own property there, own stock in a corporation that owns property in the area or be an agent or employee of a property owner. Members of the board may be employees of school districts or institutions of higher education operating in the authority's area.

Authorities have zoning and planning powers and can enter into regional development agreements with municipalities, counties, school districts, institutions of higher education and other political subdivisions to promote and advance long-term economic development and enhance public education. An authority cannot issue bonds or notes without approval of the municipality, and can only develop projects pursuant to a district masterplan approved by the municipality. The authority can impose a sales and use tax of up to $\frac{1}{2}$ percent (in $\frac{1}{8}$ cent increments) if such tax is approved by the voters within the authority's area. Upon annexation by the municipality, the municipality's sales and use tax shall apply to that area. In addition, a city may annex areas within the authority, which will not result in the termination of the authority. Only after a public hearing, the creating municipality can dissolve an authority if it assumes all assets, debts and obligations.

The proposed legislation would make the following changes to Chapter 375 of the Texas Local Government Code by clarifying provisions in the existing statute:

Land Use Controls

It is unclear if an authority would still have the power to regulate zoning and planning within a DAMA if the boundaries of a DAMA are not fully annexed by the City, and subsequently released from limited purpose annexation. The proposed change would ensure that a DAMA would not lose these powers.

Addition of property to a DAMA

Chapter 54 of the Texas Water Code has detailed requirements for the addition of lands to a district. It provides that once a DAMA has been created and issued bonds, landowners may submit applications to be excluded from a DAMA if they indicate that they will not need nor utilize the services of the authority. However, when adding territory to a DAMA, the proposed territory must be at least equal in value to lands that are to be removed. Public hearings must be held by the DAMA board to remove or add territory, in accordance with provisions of the Water Code.

To facilitate the process allowing a DAMA to add eligible property, state law will need to be amended that removes these requirements from the annexation provisions in the Water Code, and to add a provision in the DAMA statute permitting a municipality to add territory in the same manner that a DAMA is created.

Board of Directors Term Length

The DAMA statute is unclear as to the term of office for members of the board of directors and presiding officers. Section 375.306 (e) states that "...directors are appointed for terms of two years." Subsection (g) states that "...the presiding officers shall serve for a term of four years beginning on January 1 of the year following the appointment." It is not clear if this means the presiding officer is reappointed after two years or has a different term of office than directors. The proposed legislation will amend the statute to clarify that presiding officers serve for four years and directors serve for two years.

Comprehensive Vision Plan

Under the existing DAMA statute, an authority's board of directors would submit a masterplan for consideration and adoption by a municipality's governing body. The proposed change in this bill would require that the masterplan developed by the authority be governed by the "comprehensive vision plan" adopted by the San Antonio City Council, to take into account the consensus among citizens, staff and City Council, that occurred in numerous community meetings in the *City South* area during the past year.

Financial Impact:

The fiscal impact from passage of this bill is undetermined at this time.

Dissolution of Campaign Treasurer Appointment

Proposal:

To amend the Texas Election Code to allow a City Clerk to terminate the campaign treasurer appointment of an inactive candidate or political committee.

Background:

Under the Texas Election Code, a City Clerk is responsible for receiving and handling all documentation related to a municipal election. Documentation submitted to the City Clerk by candidates and political committees includes, but is not limited to, candidate applications, petitions and/or filing fees, treasurer appointments and contribution and expenditure reports. Once received, all information is filed and maintained in accordance with the state's mandated retention schedule.

One piece of information maintained and subsequently to be destroyed is the campaign treasurer appointment. In accordance with Section 252.014 of the Election Code, campaign treasurer appointments must be preserved for two years after the date the appointment has been terminated. Unfortunately, with the passage of time and decreased interest in an unsuccessful bid for office or ballot measure, many individuals are not properly informed on the approved method for terminating a campaign treasurer appointment. Pursuant to Sections 254.065 (for candidates) and 254.125 (for political committees), submission of a final dissolution report with a City Clerk is the only proper method for termination of a campaign treasurer appointment. Until a final dissolution report is filed, reports are to be continuously submitted by the individual while the City Clerk is required to maintain the appointment.

Currently, the San Antonio City Clerk's Office maintains information on approximately 82 candidates and 14 political committees dating back to the 1993 Municipal Election. Of these, approximately 31 campaign treasurer appointments for both candidates and political committees are active. Since the Texas Ethics Commission does not authorize local filing authorities such as a City Clerk to penalize individuals for not filing the required information, the City Clerk's Office can only remind individuals of their obligation to submit the necessary reports if a valid address is provided. With shrinking operating budgets and the inability to levy a fee or an administrative penalty, the City Clerk's Office must expend valuable staff time and postage to maintain this data.

During the 78th Legislative Session, the Legislature adopted HB 1606, which, in part, allowed for the Texas Ethics Commission to adopt a process by which the commission may terminate the campaign treasurer appointment of any inactive candidate or political committee. HB 1606 was specific to candidate and political committee treasurer

appointments filed with the commission. The City of San Antonio supports the extension of this provision to local filing authorities with a population over 250,000. The extension of this authority would allow a City Clerk to follow the same procedures implemented by the Texas Ethics Commission for the termination of inactive candidate and political committee campaign treasurer appointments.

Financial Impact:

Adoption of this initiative will have a positive financial impact on the City of San Antonio. Specific cost savings to the City include, but are not limited to, savings of staff time for the maintenance of the files, drafting and submitting reminder letters, calling and researching outdated information as well as savings on postage that is incurred to mail reminder letters.

Edwards Aquifer Authority

Proposal:

To support the Edwards Aquifer Authority (EAA) by recognizing the need for a regional entity to regulate pumping from the Aquifer. The City also supports the continued enforcement of its water quality ordinances by the San Antonio Water System (SAWS) and would favor legislative changes to the EAA Act that would allow SAWS to continue its enforcement role up to and beyond the City's extraterritorial jurisdiction.

Background:

The EAA was charged by the Legislature to limit annual permitted withdrawals of water from the Edwards Aquifer to 450,000 acre-feet, and ultimately to 400,000 acre feet by 2008, as a means of protecting spring flow at Comal and San Marcos Springs. The EAA was also charged with honoring and protecting the historic usage of certain pumpers and is now approaching the end of a seven-year permitting process, which has been conducted at great expense and with remarkable success given the unprecedented nature of the undertaking. Although permits issued will exceed 450,000 acre-feet, the EAA has adopted rules which will ensure that actual withdrawals are managed and reduced at specified trigger levels in order to meet the goals set forth by the provisions adopted in 1993 through Senate Bill 1477. The EAA may ask the Legislature to raise the statutory cap in light of the results of the permitting process.

During the 2003 legislative session, a debate arose with regard to the authority of the EAA to regulate the water quality of the Edwards Aquifer. The EAA may seek clarification of its authority in the upcoming session. Aquifer management fees paid by municipal and industrial pumpers almost fund the EAA entirely. The City of San Antonio, through SAWS, funds approximately 60 percent of the agency's budget. Keeping pumping fees as low as possible is in the best interest of City residents. The implementation of an EAA-wide water quality program would undoubtedly raise fees for San Antonio ratepayers. SAWS already enforces a stringent water quality program within the City's jurisdiction. SAWS and the Texas Commission on Environmental Quality (TCEQ) have partnered on a number of initiatives to avoid duplication of effort, as well as to stretch limited local and state funds. The City does not believe it would be in the best interest of its ratepayers to fund, through the EAA, a second layer of water quality regulations within San Antonio's corporate and extraterritorial jurisdiction.

Financial Impact:

The City of San Antonio supported legislation that created the EAA in 1993 and continues to support regional management of the Edwards Aquifer. However, the City has a fiduciary responsibility to its ratepayers to advocate for limited fees from the EAA. Programs that increase aquifer management fees are passed on to City ratepayers. It is for this reason that the City recommends that the EAA avoid initiatives that are costly duplications of programs already being implemented by other agencies.

Additional Information and Comments:

The San Antonio City Council, after an extensive public participation process, adopted an aquifer protection ordinance on January 12, 1995. Currently, the Mayor's Ad Hoc Water Quality Committee is reviewing the ordinance and will report back to the full Council with its recommendations.

If the Legislature concludes that a water quality role is appropriate for the EAA, the city of San Antonio would request that the integrity of the ordinance and the recommendations made by the Mayor's water committee be considered. One alternative could be statutory changes as necessary to allow the EAA to focus on areas where there are currently no local water quality regulations. This would allow more territory to be protected, at a reduced cost, to those already paying EAA aquifer management fees. Another alternative is legislation delegating enforcement of TCEQ's 213 rules to local governments and/or the EAA.

Major Sports Promotion Funding

Proposal:

To support legislation extending the expiration date of the “Other Events Trust Fund” from January 1, 2007 to January 1, 2011. Extending the time period would permit certain municipalities and counties to continue promoting economic development by hosting certain major sporting events.

Background:

Legislation adopted in 1999 authorized certain cities and counties to use a portion of their sales and use tax as well as hotel occupancy tax revenues to promote, encourage and provide funding to attract major sporting events. This authority, however, was limited to the 2007 Pan American Games and the 2012 Olympic Games.

Under provisions of the bill, the Comptroller would be required to forecast revenue gains from increased collections in sales, motor vehicle, hotel occupancy and alcohol taxes in the market area where the Games are to be held. Based on a formula established by the legislature, a portion of the expected tax revenue increase would be placed in a trust fund administered by the Comptroller’s Office, to be used by a host city to help defray expenses for the event.

In the 2003 legislative session, a bill was passed that expanded the authority of cities and counties to promote major sporting events by adding to the list of qualifying events the National Football League Super Bowl, National Collegiate Athletic Association (NCAA) Final Four, National Basketball Association All Star Game, National Hockey League All Star Game, Major League Baseball All Star Game, Bowl Championship Series Games, World Cup Soccer Games, and any events and activities related to or associated with any of the foregoing.

For San Antonio, which was the site of the NCAA Men’s Final Four basketball tournament last April, this resulted in \$5 million in matching funds that were used to pay for costs associated with hosting the event, including improvements to the Alamodome. The Final Four was the second major sporting event for which state tax revenues were used to supplement local spending. The first one occurred a couple of months earlier when the City of Houston, Harris County and the Houston Super Bowl Host Committee received \$8.7 million in state funding for last February’s 2004 Super Bowl.

Financial Impact:

With the NCAA announcing last year that San Antonio would host the 2008 Men's Final Four, the economic gain from hosting this event is expected to be financially significant, likely surpassing the \$5 million the City received from this year's tournament. However, in order to be eligible for these funds, legislation must be adopted by state lawmakers which extends the expiration date of the Other Events Trust Fund provision from 2007 to 2011.

Motor Vehicle Accident Reports

Proposal:

To amend the Texas Transportation Code by raising the property damage requirement for written reports that are submitted by local law enforcement agencies to the Texas Department of Public Safety (DPS).

Background:

Section 550.062 of the Texas Transportation Code requires that a "...a local law enforcement officer who in the regular course of duty investigates a motor vehicle accident, shall submit a written report to the Texas Department of Public Safety a written report of the accident if the accident resulted in...property damage equal to or exceeding \$1,000."

The report must be submitted not later than 10 days after the accident without regard to whether the officer investigates the accident at the location of the accident, immediately after the accident or afterwards by interviewing those involved in the accident or witnesses to the accident.

Due to the increasing cost of automobile repair and labor costs, minor vehicle damage can quickly surpass the \$1,000 threshold. The requirement that the report be submitted to the state within a specified time period hinders police operations and efficiency. Most local law enforcement agencies are stretched thin by limited resources. It is critical that officers on duty dedicate the majority of their time to patrolling and responding to direct police services requests. Relief from this outdated requirement would help decrease the amount of time officers must spend completing administrative reports and ensure their timely return to their primary function.

Financial Impact:

Passage of this bill would provide fiscal savings to local law enforcement agencies by reducing the number of reports required to be submitted, as well as the number of hours and staff time spent in producing these reports. The amount of savings, however, is undetermined at this time.

Municipally-Owned Utility Protections & Public Utility Commission Sunset/Reauthorization

Proposal:

To oppose legislation that would negatively impact City Public Service (CPS), particularly the provisions in Senate Bill 7 that protect the City's local control of its municipally-owned electric utility.

To monitor legislative proposals based on recommendations by the Sunset Advisory Commissions' review of the Public Utility Commission (PUC). Objectives are as follows:

- Maintain the basic framework in Senate Bill 7.
- Support industry involvement at ERCOT, including board governance.
- Support recusal of ERCOT board members voting on items "directly" benefiting a board member's business.
- Support enhanced PUC oversight authority of ERCOT and its costs/fees.
- Support application of the Texas Open Meetings Act to ERCOT, provided that competitively sensitive information was adequately protected.

Background:

In 1999, the Texas Legislature passed Senate Bill 7, which provided the framework for restructuring the electric utility industry in Texas. SB 7 provides municipally-owned utilities the ability to choose when to opt-in to the competitive market. This decision is vital for municipally-owned utilities within the state. The legislation also includes various protections to maintain the financial integrity of municipally-owned utilities, and provides appropriate consumer protections for the citizens of San Antonio.

SB 7 also required that the PUC undergo sunset review in 2005. Therefore, in 2004, the mission and performance of the PUC came under review by the Legislature as required by the Texas Sunset Act. This Act provides that the Sunset Advisory Commission, composed of legislators and public members, periodically evaluate a state agency to determine if the agency is still needed, and what improvements are needed to ensure that tax dollars are well spent.

Financial Impact:

Significant changes to SB 7, specifically Chapter 40 relating to municipally-owned utilities, could result in a loss of municipal control over rates, terms, revenues and policies, and consequently, could have an adverse impact on municipal finances, small business and residential customers.

Water Resources

Proposal:

To support the repeal or modification of the "junior water rights" provision in the Texas Water Code that renders interbasin transfers impractical and limits the development of functional water markets.

Background:

Surface water rights in Texas are based on a priority system ("first in time is first in right"), wherein "senior" water rights are satisfied first, followed by more recent, or "junior" rights. During times of drought, when insufficient water supplies exist to meet the demands of all water rights in a basin, the priority date of the right is often determinative of whether water can be legally diverted. Chapter 11 of the Texas Water Code provides for a series of analyses and determinations regarding interbasin transfers (IBTs), the transfer of water rights from a river basin of origin to a receiving basin. With the passage of Senate Bill 1 in 1997, statutory provisions were added to Section 11.085 of the Water Code (i.e., the junior rights provisions) wherein existing rights transferred via an IBT lose their priority and become junior to all other rights in the basin of origin.

Such a loss in priority has implications for water resource management, including:

- the value of the senior water right is unfairly diminished;
- additional pressure has been placed on groundwater resources in the state, as the junior rights provisions of SB 1 only apply to IBTs of surface water;
- the dependability of the transferred right is reduced, creating risk for the "receiver" of such a right;
- the dependability of projects designed to use senior rights is generally reduced without the addition of storage, which comes at considerable expense;
- in some cases, due to the loss in priority, the dependability is reduced so much that water supply projects become infeasible; and
- the ability to market water for distribution throughout the state is diminished.

The "junior rights provisions" are inconsistent with the regional planning processes established by SB 1. The legislature opted for a "bottom up" planning process that sought to empower regional planning groups to identify and facilitate projects necessary to meet regional needs. By making IBTs of existing water rights economically

disadvantageous and, therefore infeasible, the junior rights provisions denied regional planning groups a basic power which localities already had to meet these regional needs.

Issuance of water rights authorizing IBTs is essential to implement many projects in regional and state water plans. Impediments to these necessary authorizations, including the existing junior rights provisions, serve to frustrate the development of much-needed water supply projects.

Chapter 11 of the Texas Water Code provides sufficient protections for the basin of origin without the junior rights provisions. The City of San Antonio, in partnership with the San Antonio Water System (SAWS), supports legislation that repeals the junior rights provisions in their entirety, or modifies them so as to address projects involving the sale of water, to address projects within a common regional planning area, and/or other modifications that will make IBTs of existing water rights a real tool in addressing future water supply demands, while ensuring that the basin of origin is adequately compensated for such transfers. Any such transfers should be predicated on sound science. Further, Section 11.085(p) of the Water Code, which prevents the Texas Water Development Board from redesignating river basin boundaries in order to allow for a transfer or diversion of water should be repealed, or at least amended to allow for case-by-case determinations by the Board of appropriate basin boundaries.

Financial Impact:

San Antonio is investing upwards of \$2.6 billion to implement projects in the State Water Plan to meet the needs of a growing population, and to sustain the region's economy. Repeal or modification of the junior rights provisions and the establishment of a regulated and well-managed market will lead to greater efficiency in water resources development and make more water available statewide.

Additional Information and Comments:

SAWS is working with the Greater San Antonio Chamber of Commerce to include in its legislative agenda a similar policy statement. At a recent meeting of the Chamber's Water Committee, a resolution was introduced and is pending minor changes. Once adopted, SAWS is hopeful that the Metro 8, a group consisting of the eight largest chambers of commerce in Texas, will support this issue. The Greater Houston Partnership recently passed a resolution recommending the modification of the junior rights provision.

Section II – Legislative Endorsements

Children's Health Insurance Program

Proposal:

To support enhanced funding for the Children's Health Insurance Program (CHIP) benefits, including expanded benefits as appropriate for mental health, dental, and vision services.

Background:

Texas has one of the highest rates of uninsured children in the United States. To remedy this problem, the 2001 Texas Legislature established the Children's Health Insurance Program (CHIP) to serve children in low-income families who do not qualify for Medicaid. CHIP is not an entitlement program; federal funds match state funding dedicated for this program at a 3 to 1 ratio. The eligibility income limit is 200 percent of the federal poverty level.

During the 2003 legislative session, state lawmakers made unprecedented policy changes to CHIP that resulted in serious cuts to both eligibility and services. Many of these changes were a direct response to the budget shortfall the legislature faced at the beginning of the session. The following is a sample of the negative impact these changes have or are likely:

- 500,000 children currently enrolled have lost dental, vision, hospice, and most mental health services.
- 169,000 children, which represents one-third of the current enrollees, are projected to lose coverage by 2005, as a result of eligibility changes.
- The 35,000 children who used mental health services under CHIP in the past 12 months will no longer be eligible for counseling, therapy, rehabilitation, or evaluation and treatment after a crisis.

In May 2003, as House and Senate conferees were finalizing the state's 2004-2005 biennial budget, the U.S. Congress appropriated \$1.3 billion in state fiscal relief funds, along with \$553 million in Medicaid matching funds. Some of these funds were used to fill the budget gap for the 2004-2005 budget, but some remained unallocated.

Earlier this year, Comptroller Carole Keeton Strayhorn estimated that \$583 million in unallocated funds could be used to restore funding for CHIP. Advocates for CHIP, including the City of San Antonio, support restoring cuts in the program and funding

health services for the 120,000 children that have already lost their CHIP coverage due to the policy changes.

Financial Impact:

In a report commissioned by the Texas Medical Association and the Texas Hospital Association, noted economist Ray Perryman noted that slashing state health care programs, like CHIP, will result in higher local taxes, increased health insurance premiums, increased costs to hospitals and doctors and a slowdown in the state's economy.

For every \$1 cut in state spending on Medicaid and CHIP, Perryman found that:

- state tax revenues drop by 47 cents;
- local taxes rise by 51 cents;
- health insurance premiums rise by \$1.34;
- the Texas health care system loses \$2.81 in federal funds;
- Texas business activity declines by \$19.14;
- Texas hospitals and doctors provide 53 cents worth of uncompensated care;
- increases in the number of uninsured Texans push health care costs up by 62 cents; and
- retail sales plummet by \$1.77.

Methodist Healthcare Ministries further analyzed this data and concluded the following local impacts:

- \$32 million increase in local taxes in Bexar County ;
- \$34 million in uncompensated losses from health care;
- \$114 million decline in retail sales; and
- \$102 million increases in business taxes and insurance.

Cost of Relocating Utility Facilities

Proposal:

To amend the Local Government Code by clarifying that during city construction projects, if requested by the city, utilities which are located in the right-of-ways must relocate at their own cost and have the authority to impose financial penalties for utilities that fail to relocate their facilities within a stated time period, as stipulated in the agreement.

Background:

Historically, most utilities were required by franchises to relocate their facilities at their cost when the relocation was required for a city public works project. Additionally, pre-1975 case law held that utilities are in the right-of-way only as a privilege and they are generally subject to the relocation of those facilities at their cost for a city public works project. In the last few years, telecommunications companies and then electric companies have asserted that they only have to relocate their facilities at their cost for projects involving the widening or straightening of streets.

The telecommunications companies' position was precipitated, in large part, after the enactment of Chapter 283, Local Government Code (H.B. 1777) ended the practice of Texas cities granting franchises to PUC certificated telecommunication providers and allowed the franchise in effect in 1999 to be unilaterally terminated by the telephone utility. They argue that because Section 54.203(c), Utilities Code, specifies that cities may require telecommunications providers to relocate facilities at their cost for widening and straightening projects, and that such projects are the only one for which the utility must pay the costs for relocation. Electric utilities rely upon Section 37.101(b), Utilities Code, which contains a relocation provision for electric utilities that is similar to that in Section 54.203(c) for telecommunications companies. Both statutes, however, pertain principally to continuing service in an annexed or newly incorporated area.

Financial Impact:

Cities may incur significant costs if required to subsidize the relocation costs for utilities. However, cities may actually gain revenue if allowed to levy financial penalties to utility companies failing to relocate within a specified amount of time.

Electronic Campaign Finance Filing

Proposal:

To amend the Texas Election Code by allowing municipal candidates to file their campaign finance reports electronically.

Background:

Under the Texas Election Code, candidates for public office in the State of Texas are required to file campaign contribution and expenditure reports. These reports list, among other things, the names of campaign contribution donors, the amounts of donations and the candidate's expenditures made in connection with his or her political campaign. Electronic filing is required for candidates that file their reports with the Texas Ethics Commission (i.e. state office candidates, district court judge candidates).

As candidates for local office, city council candidates file their campaign contribution and expenditure reports with the Office of the City Clerk, rather than the Texas Ethics Commission. Texas Election Code §254.036(a) governs the form of reports filed with authorities other than the Texas Ethics Commission and currently states that reports must be on a form prescribed by the commission and must be written in black ink or typed with black typewriter ribbon unless the report is a computer printout. If the report is a computer printout, the printout must conform to the same format and paper size as the form prescribed by the commission.

On August 5, 2004, the San Antonio City Council passed an ordinance enacting a code of municipal campaign finance regulations. Within that ordinance, the City Council directed city staff to research the development and implementation of electronic campaign finance reporting. It is anticipated that large municipalities, like San Antonio, will seek to improve the process of reporting campaign finance activity through the use of enhanced technology. The proposed revision to Texas Election Code §254.036(a) better reflects that anticipated trend.

Financial Impact:

A municipality that chooses to move toward electronic campaign finance filing would have to invest resources in designing and implementing technology so that reports can be filed in compliance with the format prescribed by the Texas Ethics Commission. The anticipated cost for the City of San Antonio's electronic filing system is approximately \$30,000.

Freeport Exemption

Proposal:

To support legislation that expands the state's current Freeport exemption from 175 to 270 days for inventory classified as Freeport property.

Background:

The Freeport Exemption is a business incentive that exempts taxes on inventory that is classified as freeport property and is detained in Texas for a short period of time. Freeport property includes goods, merchandise, and certain aircraft parts used for the purpose of assembly, storage, manufacturing, processing or fabricating. To receive the tax exemption, eligible inventory must be transported to destinations outside of Texas no later than 175 days after the date the inventory was acquired or imported into Texas.

This incentive is particularly attractive to manufacturing, logistics and distribution activities locating in Texas. However, most other states do not tax such inventory at all, placing Texas at a competitive disadvantage. Local entities participating in this exemption include the City of San Antonio, Bexar County and some independent school districts. In 2004, over 100 companies benefited from the Freeport program, receiving a tax exemption of \$270 million, resulting in a City tax incentive of \$1.5 million. Companies participating include HEB, Cardell Cabinets, DPT Laboratories, Friedrich Refrigeration, Harcourt and Kinetic Concepts.

On November 6, 2001, the voters approved a constitutional amendment proposed by Senate Joint Resolution 6 that expands the state's Freeport exemption to include goods-in-transit, regardless of their point of origin or destination, and extends the holding period from 175 days to 270 days. Enabling legislation is now required to put these changes into law. Once enacted into law, the Freeport exemption will become an even more attractive business incentive and will continue to be an invaluable tool in helping establish San Antonio as an inland port.

Financial Impact:

The impact to the General Fund will depend on the companies participating in the Freeport exemption and the taxable value of their eligible inventories. The City does not anticipate there will be a significant financial impact to its General Fund.

Open Records Exception for City Manager Applicants

Proposal:

To amend the Open Records Act by adding an exception for city manager applicants of a home-rule city.

Background:

Amendments to the Open Records Act allow for an exception to the release of names of candidates for chief executive officers of institutions of higher education and superintendents of public school districts, so long as the list of finalists being considered for the position be posted at least 21 days before the date of the meeting at which a final action or vote is to be taken on the employment of the person.

With various Texas cities currently undergoing searches for city managers, the need to exempt the names of candidates for these positions has been identified. When the City of Dallas was in the initial stages of their process, approximately 30% of the candidates that had submitted their names for consideration withdrew their candidacy upon being notified that their names would be released. It is very likely that a number of potential candidates were already aware of this requirement and therefore did not submit an application.

City managers are under enormous political pressure and conscious of the perception created by their candidacy for this post in another municipality. To ensure cities are able to conduct open and effective searches for the best qualified professionals in the field, potential applicants should be reassured their candidacy will be kept confidential, until they are identified as a finalist for the position.

Financial Impact:

The proposed change to the Open Records Act would not impose a fiscal impact on state or local units of government.

Public Utilities Commission Jurisdiction

Proposal:

To clarify that the Public Utility Commission's (PUC) jurisdiction is limited to ratemaking and not to police power or zoning ordinances.

Background:

The *City of Allen v. the Texas Public Utility Commission* involves an appeal by the City of Allen arguing that the PUC improperly asserted jurisdiction over a city's police power authority by overturning screening and underground location requirements contained in the city's right-of-way management ordinances. The PUC determined that the city is prohibited from adopting an ordinance regulating the location of utility facilities in the right-of-way if implementation is too costly. However, the ordinances do not prevent the utility from recovering expenses for underground placements. While the PUC has the authority to determine how costs are recouped, it has no authority to determine what right-of-way regulations are appropriate in a city.

Secondly, the PUC determined that landscape screening requirements imposed by the city on private property increase the cost of meter-reading and should not be allowed. This ruling puts current and future screening ordinances in jeopardy since nothing would prevent the PUC from not allowing any other city requirement that may result in a cost to utilities.

Financial Impact:

The financial impact of this item is yet to be determined.

Reappointment of Fire and Police Civil Service Commissioners

Proposal:

To amend Chapter 143 of the Civil Service Code to allow the reappointment of fire and police civil service commissioners.

Background:

An attorney general opinion issued on September 2, 2004, (Op. Tex. Att'y Gen No. GA-246) interprets a provision of Chapter 143 to prevent civil service commissioners from being appointed by the mayor and council to consecutive terms. The statute in question states that appointees may "not have held a public office within the preceding three years." According to the opinion, the position of civil service commissioner is a public office, and thus, subsequent terms are not permissible.

It is unlikely that the intent of the statute was to prevent subsequent commission appointments. Some civil service cities have already expressed concern that the opinion will make it difficult for them to find qualified applicants to serve on these commissions.

Financial Impact:

The proposed change would not impose a fiscal impact on state or local units of government.

Sales Price Disclosure of Real Property

Proposal:

To amend the Tax Code by requiring disclosure of real property sales to county appraisal districts.

Background:

According to the International Association of Assessing Officers, 35 states currently have mandatory sales price disclosure of real property. Texas, however, is one of a handful of states that does not require price disclosure.

It is well understood that to achieve an equitable property tax system, it is essential to have fair market value data. Some appraisal districts in Texas have access to sales data through realtor databases, such as the Multiple Listing Service (MLS), while others do not. This has caused appraisal inequities between counties. The accuracy of sales price data is vital to equitably allocate funds for public schools.

The proposed legislation would require that actual sales price data be disclosed on a form at the time of closing on the sale of real property and then forwarded to the appraisal district and the state Comptroller's Office. The data could only be used in a protest hearing and for the comptroller's annual property value study.

Financial Impact:

The proposed change to the Tax Code would not have a fiscal impact on state or local units of government.

Additional Information and Comments:

In 2004, Governor Perry unveiled his *Educational Excellence Plan*, which proposed cutting property taxes by \$6 billion, adding \$2.5 billion in new dollars to the state's public school system, and preserving Texas' strong job creation climate.

Among the features of the governor's plan, was a proposal to require real property sales price disclosure to county appraisal districts, as a means of achieving property tax equity across the state. Although the plan was not adopted during a recent special session on public school finance, it is expected that sales price disclosure will be one of the proposals of an omnibus school finance initiative.

Substandard or Dangerous Properties

Proposal:

To amend the Local Government Code by providing that dangerous building orders be filed in the official deed records of the county, so that any subsequent purchaser or lien holder of the property will buy that property subject to the orders rendered.

Background:

Chapter 214 of the Local Government Code allows cities to take action regarding substandard and dangerous properties in a court of appropriate jurisdiction or with a citizen's commission or board. State law allows the notice of hearings for dangerous buildings to be filed in the official real property deed records of the county in which the property is located but does not give the authority to file the subsequent orders of property hearings.

The proposed change would prevent dangerous building owners from escaping the consequences of orders to repair, remove or demolish structures by transferring dangerous property.

Financial Impact:

The proposed change would not impose a fiscal impact on state or local units of government.

Texas A&M University System Revenue Bonds

Proposal:

To secure \$85 million in tuition revenue bonds for the Texas A&M University to build new construction projects on the south side of San Antonio.

Background:

Historically, the southern sector of San Antonio has had limited access to higher education opportunities. Therefore, the City of San Antonio and the Bexar County delegation support the development of a Texas A&M University-San Antonio campus as a four-year comprehensive university on the south side of the city. The 76th Legislative session appropriated \$1.6 million to establish the campus following the Higher Education Coordinating Board pathway model. Texas A&M University-Kingsville (TAMUK) was designated as the lead institution for this initiative.

Alamo Community College District (ACCD) supported the A&M System Center-San Antonio (upper-level) by providing facilities at the Palo Alto College. ACCD and A&M System Center-San Antonio have signed joint admissions agreements and approved 2+2 programs to facilitate transfer to the A&M System Center-San Antonio campus. These efforts promote the legislature and the Higher Education Coordinating Board's goal of "closing the gaps." The campus is 67% minority, and the average age of the students is 32. Forty-eight percent of the students are full-time and 350 students have graduated with a bachelor's degree since the inception of the campus.

The campus opened its doors in the Fall 2000 with 126 students in seven academic programs and currently (Fall 2004) has an enrollment of 1000 students in 12 academic programs. The facility is rapidly becoming inadequate for serving a growing student population. Because of the rapid growth of student enrollment, the facilities provided by Palo Alto College have been supplemented with eight portable buildings.

Tuition Revenue Bond funding of \$80 million will result in the creation of a new facility at a campus site to be designated in southern San Antonio. This campus facility will provide classrooms, laboratory space, and offices for student support services, faculty and staff. In addition these funds will be used to develop infrastructure such as utilities, parking, streets, and landscaping.

The Texas A&M University System is also requesting reinstatement of the five percent budget reduction requested by the Governor's office for 2006-2007.

Additional special item funding of \$5.8 million has been requested for continued growth of academic programs, faculty and support staff, students, and services for the traditionally underserved population in south San Antonio and the surrounding communities and counties.

Financial Impact:

Without additional funding and tuition revenue bonds, the targeted dates to establish a full four-year comprehensive university in southern San Antonio will be delayed from 2008-2009 to 2012. Decreased program development, enrollment growth, and new faculty hires will have a negative impact on the success of this institution. The opportunities for the student population pursuing college degrees in the San Antonio area will also be impacted. Approximately 19% of the San Antonio population have college degrees, in comparison to Austin where this percentage more than doubles to 40%. Without an educated workforce, San Antonio's opportunities to attract corporations and high tech industry could be curtailed.

As the second largest city in Texas, San Antonio deserves to have two state public institutions. Having both flagship systems in our city will be a first in the state, and deserving for a city that truly reflects the demographics of Texas.

Transportation Infrastructure Funding

Proposal:

To support legislative initiatives that will provide enhanced funding for infrastructure improvements on state and local roadways.

Background:

Roadway conditions across the state of Texas have worsening in recent years, due in large part to a growing population and reduced government spending for transportation-related programs. This situation is not expected to get any better in the coming years.

Forty years ago, transportation represented about one-third of the state budget. Today, it is less than ten percent. Texas currently ranks 47th in the nation in per capita spending for state highway expenditures, primarily because the state spends nearly 48 percent of its transportation-related revenues on non-transportation purposes, as compared to an average of 18 percent for the rest of the country.

The decline in spending and the diversion of transportation-related revenues to general government functions has resulted in a serious decline in the state's highways and bridges. In the early 90's, the pavement quality of almost 55 percent of Texas roadways were in the "desirable" range, compared to only 30-50 percent today. Significant portions of the state's highway system are approaching or even exceeding their design life and are in need of repair. Nineteen percent of all Texas bridges are functionally obsolete. And roughly 13,000 of the state's 49,000 bridges need to be rehabilitated or replaced.

The increasing truck traffic, as a result of the North American Free Trade Agreement (NAFTA), has been a significant contributor to the decline of pavement condition along trade corridors. Cities like San Antonio and Austin have suffered disproportionately because of the growing congestion posed by commercial truck traffic. It is estimated that NAFTA-related traffic will continue to grow at an annual rate of 17 percent per year for the coming decade. Exacerbating this situation is a booming migration that adds more than 30,000 people to the state's population each month.

To address the vital need for highway infrastructure and street improvements, the following items are being supported by the City of San Antonio:

- *Continued state funding to the Texas Mobility Fund* – the Mobility Fund was established in 2001 to bring new state money into the transportation funding stream. However, no funds were appropriated by the Texas Legislature until the 2003

session, when state lawmakers allocated \$233 million annually (beginning in 2006) to the Fund from motor vehicle inspection fees, driver license fees and driver record information. There will likely be efforts by transportation advocates to identify additional fees that could be allocated to the Fund, thereby expanding the amount of bonds that could be issued to capitalize a larger number of infrastructure projects.

- *Legislation that would allow the state motor fuels tax to be adjusted for inflation* – the motor fuels tax is the largest revenue source for transportation funding in Texas. The cost for roadway maintenance and construction rises each year due to inflation. By indexing the tax to the Consumer Price Index or another inflationary index would ensure that revenue to fund these services would rise in the same proportion to overall costs, shortening the gap between the actual costs for transportation projects and available funding.
- *Efforts to protect the new funding tools that were provided in the omnibus transportation bill (HB 3588) passed last session* – during the 2003 legislative session, lawmakers provided the state's transportation community with added flexibility by adopting innovative financing provisions relating to regional mobility authorities, bonding, toll roads and design-build, for highway and road construction projects.

Financial Impact:

Transportation needs in Texas far exceed the availability of state money to fund them. To keep pace with deteriorating infrastructure and a growing population, it has been estimated that an average of \$11 billion would need to be spent each year between 1997-2006. Recent projections have found that current funding levels provide only 33% of that overall funding goal. The City of San Antonio supports all reasonable legislative efforts that provide opportunities to increase funding to cities as they strive to build strong multi-modal transportation systems to support regional economies and accommodate the mobility needs of its citizens.

University of Texas at San Antonio – Tuition Revenue Bonds

Proposal:

To secure \$192 million in tuition revenue bonds for the University of Texas – San Antonio (UTSA) for new construction projects.

Background:

Every four years, the state allocates tuition revenue bonds for public universities to build new construction projects. Historically, these bills are submitted by the Chair of the House Appropriations Committee and the Chair of the Senate Finance Committee. This legislation would help UTSA address its space deficiency and provide the university with funds to construct new buildings. The last time the legislature allocated bonds was in 2001. UTSA seeks a total of \$192 million for the following construction projects:

- Loop 1604 Campus Engineering Building phase II - \$75 million
- Downtown Campus Architecture Building - \$50 million
- Loop 1604 Campus Academic Building, phase IV - \$50 million
- Downtown Campus Building, phase V - \$17 million

According to standards developed by the Texas Higher Education Coordinating Board, UTSA has the largest space deficit of any public university in the state. UTSA is also one of the state's fastest growing universities in terms of enrollment. In just five years, UTSA has added 8,000 new students. UTSA's enrollment for Fall 2004 is 26,400, with projected enrollment for 2010 at 35,000. Without adequate support for capital projects, UTSA is limited in creating the university atmosphere that students deserve. UTSA seeks community wide support to secure not just a fair share of revenue bonds, but enough to accommodate continued growth.

UTSA's enrollment growth historically outpaces space gains. Even as two new buildings have come on line (Main Building and Biosciences Engineering Phase I), UTSA continues to experience a space deficiency of half a million assignable square feet.

Not only does space deficiency impact the quality of student life, but it also limits the number and quality of new faculty UTSA can hire. Without adequate laboratories, teaching, and office space, UTSA cannot compete nationally in attracting faculty. To accommodate rapid enrollment growth, UTSA needs to hire an average of 75 new

faculty members each year (mainly in science and engineering), over the next eight years. UTSA needs to address the space deficiency issue in order to pursue its goal of becoming a tier-one-research university.

University of Texas at San Antonio – Health Science Center Funding

Proposal:

To secure \$117.7 million in funding for the University of Texas Health Science Center–San Antonio (UTHSCSA) to fund the operations of: 1) the Bioscience Initiative for Growth (BIG); the Laredo Extension Campus (LEC); 3) the Regional Academic Health Center (RAHC); and 4) the South Texas Research Tower.

Background:

Bioscience Initiative for Growth (BIG) - Funding requested will provide for the operation of the San Antonio Life Sciences Institute (SALSI), the San Antonio Cancer Institute, and the Barshop Center for Longevity and Aging. SALSI is a collaborative effort by UTHSCSA and UTSA to develop synergies in research and education that will exceed the combined efforts of the institutions, if each were to act alone. Emphasis will be placed on diseases that affect the Texas/Mexico border, such as diabetes. SALSI has received recognition as a National Cancer Institute from the National Institute of Health, one of only two cancer centers in Texas currently holding this designation. The Barshop Center for Longevity and Aging Research has developed an internationally recognized program in basic biomedical research in aging. Operating funds will be used for new faculty recruitment and salaries, supporting staff salaries and wages, and will be leveraged to enhance federal and other extramural support of UTHSCSA's expanding research initiatives. The San Antonio community has invested about \$16 million in support of these programs. These centers have been awarded \$491 million in sponsored research grants.

Laredo Extension Campus (LEC) - The 76th Legislature passed SB 1288 establishing a Laredo Extension Campus for the UTHSCSA. Allied health degree programs, the South Texas Environment, Education, and Research Center (STEER), library resources, K-16 programs focused on health professional education, and medical student clerkships in family and community medicine have been established in response to community needs. Despite these accomplishments, there is a sobering realization of the continuing magnitude of the south Texas border region's unmet needs. A substantial funding increase is requested for the Laredo Extension Campus to effectively address these needs. Enhanced funding will allow us to develop a regional learning center, a disease management center, a center for health disparities, a cancer prevention center, joint degree programs with Texas A&M International University, and to build the teaching/learning laboratory at the Laredo Extension Campus.

Regional Academic Health Center (RAHC) - The 76th Legislature passed SB 606 creating a Regional Academic Health Center (RAHC). The RAHC is situated in

Harlingen and Edinburg. The RAHC's Medical Education Division in Harlingen provides educational, library, classroom, and administrative support for 48 full-time medical students and an expanding internal medicine residency, with pediatric and general surgery residency programs scheduled for implementation in the upcoming years. It is also the intent to offer every medical student accepted to the UTHSCSA a clinical experience at the RAHC which will significantly increase the student body at this campus. The RAHC's Research Division in Edinburg will be located adjacent to the University of Texas Pan American campus, ideal for collaboration between both universities and will also house a joint pharmacy degree program with UT Austin. Construction is scheduled for completion on March 2005. This facility will consist of basic research laboratories addressing diseases affecting populations along the US/Mexico border and be a venue to recruit world class scientists to this rapidly growing region of our state. Enhanced funding will be needed to recruit a full complement of faculty for both the medical education and research divisions of the RAHC. Both campuses are expected to bring in substantial new federal research dollars to the lower Rio Grande valley.

Tuition Revenue Bonds - Tuition revenue bonding authority is being requested for three important facility upgrades at UTHSCSA.

- There currently exists a 200,000 square foot deficit in research space at our Health Science Center, hindering faculty recruitment. The South Texas Research Tower will provide 250,000 gross square feet of critically-needed research space. This facility will also allow for significant expansion of the institution's laboratory bench-to-patient bedside translational research programs and will leverage community support of our expanding research enterprise.
- A faculty office building will provide 55,000 square feet to address the current shortage of space for medical school faculty. There is currently a 100,000 square foot deficit for office space; in fact, our internationally recognized department of orthopedics is housed in a temporary trailer because of the lack of office space.
- The Center for Medicine and Clinical Education building will provide 110,000 square feet to support clinical trials, research, and education across all health professions.

Omnibus Policy

Proposal:

The City Council supports legislation that would clearly benefit the City and opposes legislation that would clearly be detrimental to the City's interests.

Background:

Historically, a relatively small part of the City's legislative efforts have been devoted to passing beneficial bills that would enable cities to better perform their function. A far greater effort has been expended on preventing passage of detrimental bills. In many cases, these detrimental bills are attempts to change the fundamental authority granted to municipalities.

Due to the large quantity of bills introduced during the legislative session, it is not always feasible for the City Council to consider and adopt formal policy statements of on each piece of proposed legislation. Therefore, the City of San Antonio will endorse legislation that would clearly benefit the City and oppose bills that meet one or more of the following criteria:

- Undermine the principles of self-government.
- Mandate increased cost to cities, including environmental mandates.
- Result in the loss of revenue to cities or change the authority of the City to generate revenues.
- Result in diminishing the fundamental authority of cities to operate in a manner consistent with the best interest of the health, safety and welfare of the general public.

The adverse impact of each detrimental bill must be determined separately. This policy will assist the City's governmental affairs team in expediting measures to defeat detrimental legislation and play a proactive role in passing beneficial legislation.

Additional Information:

This policy has assisted the City's governmental affairs team in responding quickly to defeat detrimental legislation and support the enactment of beneficial measures.

Section III – Preservation of Municipal Interests

Appraisal Caps

Proposal:

To oppose legislation that would reduce the maximum average annual percentage increase in the appraised value of a residence homestead for ad valorem tax purposes

Background:

Section 23.23 of the Property Tax Code currently limits the maximum annual percentage increase in the appraised value of a residence homestead for ad valorem tax purposes to the lesser of the market value of the property or the sum of ten percent (10%) of the appraised value of the property in the last year it was appraised times the number of years since it was last appraised. One of the options considered during the special session on school finance reform in 2004 was the possibility of limiting residential property appraisals to an increase of no more than three percent (3%) per year. Although no changes resulted from this special session, appraisal caps will most certainly be considered again during the 79th Legislature.

Financial Impact:

Any reduction in the current ten percent maximum annual increase in the appraised value of a residence homestead will have a negative impact to City ad valorem tax revenues and may challenge the City's ability to provide the current level of basic services in future years. Additionally, limiting increases in appraised values of residence homesteads unfairly shifts the tax burden onto other property owners (i.e. commercial and industrial).

Annexation Reform

Proposal:

To oppose legislation that would further restrict or eliminate municipal annexation authority.

Background:

Cities pay for a wide array of services and facilities that benefit entire regions and are centers of employment, health care, entertainment, transportation, and merchandising used by non-city-residents throughout the region. Cities must support public safety services and a physical infrastructure sufficient to serve a daily influx of visitors from throughout the metropolitan region.

Most states recognize that cities should be assisted in making these expenditures that benefit entire regions and the whole state. Virtually every state transfers state-generated revenue to cities to assist in the provision of services and facilities. They do this in recognition of the fact that cities are making expenditures that benefit all residents of the state. In Texas, there is virtually no state aid to cities. However, the state allows cities to bring adjacent areas into the city and into the system through which cities finance the services and facilities that benefit the region and state through annexation.

Also the 78th Legislature considered legislation that would have restricted municipal annexation authority, including prohibiting annexations unless those who live in the area to be annexed approve of the action. This issue is likely to be considered again during the upcoming session.

Financial Impact:

To erode or eliminate municipal annexation authority without considering the issues of municipal revenue and intergovernmental relations would cripple cities. If annexation authority were eliminated, Texas would become the only state in the nation that denies both state financial assistance and annexation authority to its cities. Opponents of annexation cannot point to a single state that has restricted annexation authority without implementing fiscal assistance programs under which the state helps cities pay for the infrastructure on which the entire state depends.

Municipal Court Collection of State Fees

Proposal:

To oppose legislation that would require municipal courts to collect additional state fees.

Background:

Municipal courts in Texas collect funds on behalf of the state for a variety of programs. For these collection efforts, cities are generally allowed to keep the interest earned as a reimbursement for the costs incurred to collect these fees and to remit them to the state. However, the structure of state court costs and fees is complex and time consuming to administer. In addition, state costs and fees have been increased, or new fees added, in each legislative session since 1981.

Financial Impact:

The City of San Antonio, like many cities, could be adversely affected in two ways. First, court costs imposed by the state are difficult to administer. While a city can keep a small percentage of the cost as an administrative fee, this amount is usually not enough to cover the costs to implement mandated changes, which includes purchasing new ticket books, computer programming costs, and time to train staff.

Also, the state requires that in the event of a partial payment, the court costs must be paid first before a city can collect any portion of the fine(s). In essence, cities are still required to collect fines for the state, but do not get any revenue until the court costs have been paid.

The City of San Antonio will work with the Texas Municipal League and other cities on legislation to apportion partial court fine payments. Criminal defendants seldom pay the maximum court fine upon conviction. For that reason, cities and the state should share the burden of lost revenue, instead of making cities bear this cost.

Streamlined Sales Tax Agreement

Proposal:

To oppose adoption of point-of-destination sales tax sourcing as part of the Streamlined Sales Tax Agreement.

Background:

The Streamlined Sales Tax Agreement, as it was originally conceived, was to provide a method for states and cities to collect sales taxes on remote sales, such as catalogue and Internet purchases.

Although the Texas Legislature adopted most of the provisions in the Streamlined Agreement last session, an issue involving sales tax sourcing was not addressed due to the objection from many Texas cities. Instead, HB 2425 charged the comptroller with conducting a study of the impact of the sourcing change on local governments. Under the Agreement, participating states, like Texas, would have been required to adopt point-of-destination sales tax sourcing for intrastate sales as well as interstate sales.

Presently, the City of San Antonio is working with the Texas Municipal League to find a solution that would allow the state to comply with the Agreement without changing the system of sourcing that would lead to a statewide loss of municipal sales tax revenue as well as disruptions to individual city budgets.

Financial Impact:

This change is not favorable to the City of San Antonio for two reasons:

- It will result in a significant shift in revenue from origin to destination cities. Municipal budgets could be thrown in disarray for years after the shift is implemented, with larger cities experiencing the largest revenue losses.
- Texas cities will see a net loss in sales tax revenues overall. Under current law, when goods are shipped from a Texas city to an unincorporated area of the state, the shipping city gets the sales taxes. Under the proposed system, there would be no city sales taxes collected at all since the destination is outside of any city's limits. It is generally agreed that more goods are shipped from incorporated to unincorporated areas of Texas, than vice-versa.

Unfunded State Mandates

Proposal:

To oppose legislation that would result in additional unfunded mandates.

Background:

Unfunded mandates are financial burdens placed upon local governments by state actions, often resulting in increased property taxes at the local level. Such state actions include:

- directives to cities without providing the necessary funding to carry out the directives;
- withdrawal of or cuts in state funding to carry out existing directives; and
- changes in state operations which inadvertently result in city expenses and inefficiencies.

While this practice can be dated back for decades, the imperative for the legislature to develop an equitable public school funding structure will likely result in additional unfunded mandates during the 79th Legislative Session

Financial Impact:

Unfunded mandates impose costs on Texas cities and their taxpayers exceeding millions of dollars statewide and have backed many cities into a fiscal corner, forcing them to sacrifice their own programs and priorities in order to comply with standards set by the state.

5.